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Federal Circuit Opens Door to Timeliness Appeals in PTAB Cases

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BY SCOTT GRAHAM

McKool Smith partner Douglas Cawley

An en banc U.S. Court of Appeals for the Federal Circuit on Monday opened the door to partial appellate review of Patent Trial and Appeal Board (PTAB) decisions to institute proceedings.

"This is the first retrenchment on the PTAB's unfettered ability to do whatever it wants with institution," said Douglas Cawley, the McKool Smith partner who had the winning argument for patent owner Wi-Fi One.

Now the question is whether the PTAB will allow enough discovery to make the new rule worthwhile, practitioners say.

The court ruled 9-4 in *Wi-Fi One v. Broadcom* that the Federal Circuit may review whether a PTAB petitioner brought its case within a year of being sued in district court. That decision may sound straightforward, but it often involves the thornier question of whether the petitioner is controlled by, or in privity with, other entities that were sued by the same patent owner.

Wi-Fi One, for example, contends that Broadcom brought its PTAB challenge on behalf of D-Link Systems, Netgear and five other defendants who got hit with a $10 million judgment in Eastern District of Texas litigation. The PTAB decision invalidating Wi-Fi One's patent claims has cast doubt on that judgment. Wi-Fi One contends that Broadcom's action should have been time-barred because Broadcom supplies chips to some of those companies and there is evidence of indemnity agreements between some of them.

The Federal Circuit ruled in 2015 that timeliness is unreviewable because the decision is made as part of the PTAB's threshold decision whether to institute proceedings. The America Invents Act (AIA), which created the PTAB, specified that decisions to institute are not ordinarily reviewable.

But Monday's nine member majority ruled that following the Supreme Court's 2016 *Cuozzo v. Lee* decision, decisions to institute can be reviewed to see if the PTAB instituted decisions in excess of its statutory authority. "Enforcing statutory limits on an agency's authority to act is precisely the type of issue that courts have historically reviewed," Judge Jimmie Reyna wrote for the majority.

Judge Todd Hughes wrote for the dissent, saying the AIA "expressly prohibits courts from reviewing" decisions to institute.

The ruling is a big win for a McKool Smith team led by partner Cawley, who argued the appeal for Wi-Fi One. Wilmer Cutler Pickering Hale and Dorr partner Dominic Massa argued for Broadcom, while Justice Department attorney Mark Freeman argued for the U.S. Patent and Trademark Office.

Orrick, Herrington & Sutcliffe partner Bas de Blank, who wasn't involved in the case, said the ruling may not help patent owners much if the PTAB doesn't allow discovery into relationships between parties. Discovery at the PTAB is limited to keep the process speedy and inexpensive. "If broader discovery is allowed, that could change things," de Blank said.

Baker Botts partner Eliot Williams said discovery related to privies and real parties is often provided in the district court, but usually under a confidentiality order. Sometimes patent owners can obtain it if they act early in PTAB proceedings, but the rules aren't always clear.

The Federal Circuit might face this very issue when the case is remanded to the three-judge panel, he said. "This would be the opportunity for the Federal Circuit to get involved in looking at the PTAB's discovery rules, because they never have before," he said.

Williams said he could foresee another practical challenge: whether after going all the way through the PTAB process and a finding of invalidity, the Federal Circuit would want to unwind the proceedings on the basis of timeliness. That would "leave a cloud over the patents," he said.

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